



LEROY D. BACA, SHERIFF

**County of Los Angeles**  
**Sheriff's Department Headquarters**  
**4700 Ramona Boulevard**  
**Monterey Park, California 91754-2169**



May 20, 2003

The Honorable Board of Supervisors  
County of Los Angeles  
383 Kenneth Hahn Hall of Administration  
Los Angeles, California 90012

Dear Supervisors:

**APPROVE THE PURCHASE OPTION FOR SIX ADDITIONAL EUROCOPTER AS350B2  
HELICOPTERS, ANCILLARY EQUIPMENT AND SERVICES BY THE SHERIFF'S  
DEPARTMENT, AND APPROVE RELATED FINANCING PLAN  
(4 VOTES) (ALL DISTRICTS)**

**JOINT RECOMMENDATION WITH THE CHIEF ADMINISTRATIVE OFFICE  
THAT YOUR BOARD:**

- 1 Approve the execution of the purchase option as stipulated in the previously approved Purchase Agreement between the County, American Eurocopter Corporation (AEC) and Citicorp Real Estate, Inc., dated November 1, 2002, to acquire six (6) additional AS350B2 helicopters from American Eurocopter, including ancillary equipment and services, with an acquisition value of \$14.5 million in order to replace five (5) existing helicopters and one destroyed helicopter.
- 2 Authorize the Internal Services Department and Chief Administrative Office to obtain tax-exempt, lease financing for the six (6) additional replacement helicopters and ancillary equipment through a competitive bid process at an interest rate that does not exceed 5.0% and a lease term that does not exceed seven years and to execute any documents necessary to complete the transaction.

*A Tradition of Service*

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3. Authorize the Sheriff's Department and Internal Services Department to proceed with the sale of the remaining five MD520N helicopters. The Sheriff's Department will return to the Board with an appropriation adjustment once the sales are finalized.
4. Approve the attached Appropriation Adjustment which increases the Sheriff's operating budget by \$955,000 to exercise the prepurchase option on an existing helicopter lease to be offset by the sale of two (2) Sheriff's existing helicopters.

#### **PURPOSE/JUSTIFICATION OF RECOMMENDED ACTIONS**

Approval of the recommended actions will allow the Sheriff to complete the replacement of existing patrol helicopters that are aging, obsolete, incompatible with, or have been destroyed, with helicopters that better meet the Sheriff's mission through the use of a cost-effective lease financing plan.

#### **Background**

On August 27, 2002, your Board approved the execution of a purchase agreement between the County and American Eurocopter Corporation (AEC) to acquire six (6) AS350B2 helicopters and ancillary equipment and services. Your Board further directed that:

The Chief Administrative Officer (CAO) and Sheriff enter into negotiations with AEC for the purchase of an additional six helicopters by the end of Fiscal Year 2002-2003, with the condition that no penalty be imposed on the County if it elects not to purchase the additional helicopters at that time; and

The Internal Services Department (ISD) and Sheriff's six (6) existing helicopters to be replaced by the new AS350B2 helicopters and return to the Board with an appropriation adjustment as sales are finalized and apply the revenue from the sale to the prepayment of an existing helicopter lease and the current year payment on the new helicopters.

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The purchase agreement for the initial six (6) helicopters was executed on November 21, 2002 with a purchase cost of \$14.2 million. Financing was secured from Citicorp Real Estate (Citicorp) through a competitive bidding process directed by ISD and the CAO, for a seven year term and an overall interest rate of 3.643%.

The CAO and Sheriff were also successful in negotiating an option price of \$14.5 million, including tax and related ancillary services and equipment, for the additional six (6) helicopters from AEC. Per your Board's direction, there will be no financial penalty should the County elect not to acquire the additional six (6) helicopters. This pricing arrangement is available until May 23, 2003. Should your Board choose not to acquire the additional six (6) helicopters at this time, the CAO is estimating that their acquisition on individual basis over the next two years would cost an additional \$2.0 million due to the loss of a 7.5% volume discount that Eurocopter has extended through this purchase agreement and an assumed inflationary increase in pricing of 3% (See Attachment I).

The sale of six (6) helicopters from the existing fleet has been delayed due to unforeseen delays in the manufacturing of the replacement AS350B2 helicopters and the release of final approval by the Federal Aviation Agency. Delivery of the first six replacement aircraft to the County is now scheduled between mid May and July, 2003. To date, ISD and the Sheriff have accepted bids totaling \$955,000 for two (2) MD600 helicopters which will be executed later this month. The sale of another four (4) existing aircraft will proceed in July as the four remaining replacement helicopters approved by your Board in August 2002 are delivered to the County.

### **FISCAL IMPACT**

The cost for the additional six (6) AS350B2 patrol helicopters is \$14.5 million, including sales tax.

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Due to the Sheriff's seven-year helicopter replacement cycle and the low interest rates that remain available, it is recommended that the proposed acquisition be financed through a lease-purchase agreement with a third-party lender, as was completed for the initial six (6) AS350B2 helicopters.

Based on current rates and a term of seven years, the CAO is projecting a semi-annual lease payment for the additional helicopter purchases of \$1.2 million, commencing in 2003-04 with one semi-annual payment. Annual lease payments will increase to \$2.5 million in 2004-5 and continue through 2009-10, before declining to \$1.2 million in 2010-11. Total payments on the new lease are projected to equal \$17.7 million.

When combined with lease obligations associated with the initial six (6) AS350B2 helicopters that were financed in 2002, the aggregate lease payments for the 12-helicopter replacement fleet are estimated at \$1.2 million in 2002-03 and \$3.6 million in 2003-4. The payment requirements will increase to \$4.8 million in 2004-5 and continue at that level through 2008-09 before declining to \$3.6 million in 2009-10 and \$1.3 million in 2010-11.

Overall, lease payments will total \$28.7 million over the seven year term of the leases. A summary of the projected payment schedule for the replacement fleet is provided in Attachment II.

In terms of overall 2002-03 costs, the Sheriff will incur \$3.7 million for payments and prepayment of leases on its existing helicopters and new lease payments on the initial six replacement helicopters. Due to the prepayment and termination of the current leases, the Sheriff's helicopter lease costs will be limited almost entirely to the replacement fleet and are expected to be \$3.7 million in 2003-04.

### **Maintenance Costs**

Maintenance costs for the AS350B2 are anticipated to be significantly lower than the Sheriff's existing helicopters given its proven reliability and the cost efficiencies of using a single model.

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As detailed in Attachment III, maintenance costs for the complete replacement fleet of 12 AS350B2 helicopters is estimated at \$6.3 million between 2002-03 and 2008-09 which represents an overall savings of approximately \$746,106.00 from the projected cost of servicing the existing mixed fleet of AS350B2's and MD520N's over the same period. The availability of an initial warranty period to cover service requirements for the AS350B2 aircraft accounts for much of the maintenance cost savings, which are all realized in the early years.

### **FINANCING**

The Sheriff's 2002-03 operating budget currently appropriates \$2.7 million for current and new helicopter lease costs, including the transfer of \$1.2 million in revenue from the Narcotic Enforcement Fund that was approved by your Board on May 13, 2003 for new lease payments on the initial six (6) replacement helicopters. Approval of the attached appropriation adjustment will increase the Sheriff's operating budget by \$955,000 to reflect revenue from the sale of two existing MD600 helicopters that will be executed later this month. The resulting \$3.7 million appropriation will be sufficient to meet the current year funding requirements for the current and new helicopter leases. The table below summarizes the Sheriff's 2002-03 budgetary requirements with respect to the proposed transactions.

#### **Available Funding**

Existing 2002-03 Appropriation for Helicopter Leases	\$ 1,545,000
Plus: Anticipated Revenue from Auction of 2 Helicopters	955,000
Plus: Narcotic Enforcement Fund Appropriation	<u>1,158,000</u>
Total Available 2002-03 Funding for Helicopters	\$ 3,658,000

#### **Funding Requirements**

2002-03 Payment on Remaining Helicopter Leases	\$ 1,240,090
Prepayment of Existing MD600 Lease	1,260,000
2002-03 Payments on New AS350B2 Helicopter Lease	<u>1,157,914</u>
Total 2002-03 Helicopter Funding Requirements	\$ 3,658,004

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The sale of the remaining nine (9) helicopters in the existing fleet will be completed in 2003-04 and is expected to generate an estimated \$3.1 million in revenue which will be utilized to partially offset the \$3.6 million in aggregate lease payments due on the new helicopters in 2003-04. The Sheriff will absorb the remaining 2003-04 lease payments in their operating budget and will utilize Asset Forfeiture Funds to pay one-half of the lease payments each year through 2010. Sheriff's budgetary plans regarding use of Asset Forfeiture Funds are provided in Attachment IV.

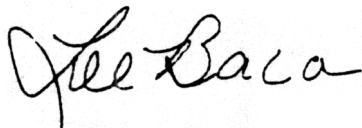
#### **IMPACT ON CURRENT SERVICES**

The helicopter purchase now before your board will complete the replacement of the Sheriff's patrol and surveillance helicopter fleet. The new aircraft will provide upgraded operational capabilities to meet current mission requirements for the next seven years.

#### **CONCLUSION**

Please return one adopted copy of this letter to the CAO (Capital Projects/Debt Management Division), the Sheriff, and ISD.

Respectfully submitted,



LEROY D. BACA  
SHERIFF

DAVID E. JANSSEN  
Chief Administrative Officer

COUNTY OF LOS ANGELES  
REQUEST FOR APPROPRIATION ADJUSTMENTDEPT'S. 770  
No.

DEPARTMENT OF SHERIFF

May 13, 2003

## AUDITOR-CONTROLLER.

THE FOLLOWING APPROPRIATION ADJUSTMENT IS DEEMED NECESSARY BY THIS DEPARTMENT. WILL YOU PLEASE REPORT AS TO ACCOUNTING AND AVAILABLE BALANCES AND FORWARD TO THE CHIEF ADMINISTRATIVE OFFICER FOR HIS RECOMMENDATION OR ACTION.

## ADJUSTMENT REQUESTED AND REASONS THEREFOR

4 VOTES

## SOURCES

SHERIFF'S DEPARTMENT - GENERAL SUPPORT  
REVENUE - SALE OF FIXED ASSET - EQUIPMENT  
A01 - SH - 15687 - 9909  
\$955,000

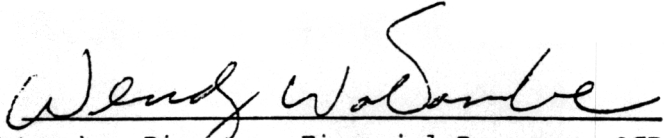
\$955,000

SHERIFF'S DEPARTMENT - GENERAL SUPPORT  
OTHER CHARGES  
A01 - SH - 15687 - 5500  
\$955,000

\$955,000

JUSTIFICATION: THIS ADJUSTMENT WILL INCREASE APPROPRIATION AND REVENUE IN THE SHERIFF'S BUDGET TO REFLECT UNANTICIPATED REVENUE RELATED TO THE SALE OF TWO (2) SHERIFF'S DEPARTMENT HELICOPTERS THROUGH BID AUCTION AND TO PROVIDE FOR THE PRE-PURCHASE COSTS FOR AN EXISTING HELICOPTER LEASE

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Wendy Watanabe, Director, Financial Programs, ASD

CHIEF ADMINISTRATIVE OFFICER'S REPORT

REFERRED TO THE CHIEF  
ADMINISTRATIVE OFFICER FOR—

ACTION

RECOMMENDATION

AUDITOR-CONTROLLER BY

No.

19

APPROVED AS REQUESTED

AS REVISED

19

CHIEF ADMINISTRATIVE OFFICER

APPROVED (AS REVISED):  
BOARD OF SUPERVISORS

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BY

DEPUTY COUNTY CLERK

SEND 5 COPIES TO THE AUDITOR-CONTROLLER

## Pricing Comparison: Purchasing 12 Units per Contract (includes exercise of option) vs. Incremental Purchases

		Incremental Purchases					
Prices on 12- Unit Contract		Price Increases Compared to 12 Unit Purchase					
New Unit Price		Assumed Increm Purchase Date	No Volume Discount	No Waiver of Current Year Escalation	2nd Year Escalation	Total Unit Price	Cost increase for Incremental Purchase
			Add 7.5%	Add 3%	Add 3%		
Initial 6 Aircraft (2002)							
A/C Type							
LACS#1	Video	\$2,168,299	8/15/2002	\$162,622	\$69,928	\$2,400,849	\$232,550
LACS#2	Video	\$2,168,299	8/15/2002	\$162,622	\$69,928	\$2,400,849	\$232,550
LACS#3	Video	\$2,168,299	8/15/2002	\$162,622	\$69,928	\$2,400,849	\$232,550
LACS#4	Utility	\$2,016,393	8/15/2002	\$151,229	\$65,029	\$2,232,651	\$216,258
LACS#5	Patrol	\$2,303,931	7/15/2003	\$172,795	\$74,302	\$2,627,558	\$323,627
LACS#6	Patrol	\$2,303,931	7/15/2003	\$172,795	\$74,302	\$2,627,558	\$323,627
SubTotal		\$13,129,152					
Sales Tax		\$1,083,155					
TOTAL		\$14,212,307					
Optional 6 Aircraft (2003)							
A/C Type							
LACS#7	Patrol	\$2,237,500	7/15/2003	\$167,813	\$72,159	\$2,551,796	\$314,296
LACS#8	Patrol	\$2,237,500	7/1/2004	\$167,813	\$72,159	\$2,551,796	\$314,296
LACS#9	Patrol	\$2,237,500	7/1/2004	\$167,813	\$72,159	\$2,551,796	\$314,296
LACS#10	Patrol	\$2,237,500	7/1/2004	\$167,813	\$72,159	\$2,551,796	\$314,296
LACS#11	Patrol	\$2,237,500	7/1/2004	\$167,813	\$72,159	\$2,551,796	\$314,296
LACS#12	Patrol	\$2,237,500	7/1/2004	\$167,813	\$72,159	\$2,551,796	\$314,296
SubTotal		\$13,425,000					
Sales Tax		\$1,107,563					
TOTAL		\$14,532,563					



**Sheriff's Department Aircraft Maintenance Cost Projections 2002-07  
Replacement Fleet versus Existing Fleet**

2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	TOTAL
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**SUMMARY OF MAINTENANCE COST COMPARISON - Based on 9600 flying hours each year**

**A. Existing Fleet (6 AS350B2's, 6 MD520's)**

Annual Maintenance Costs of Existing Fleet

6 AS350B2's	\$ -	\$ 110,600	\$ 268,600	\$ 501,600	\$ 548,160	\$ 575,040	\$ 575,040	\$ 2,579,040
MD520's	\$ 1,255,632	\$ 554,750	\$ 962,988	\$ 551,980	\$ 245,284	\$ 349,232	\$ 555,360	\$ 4,475,226
<b>Total Annual Maintenance Costs</b>	<b>\$ 1,255,632</b>	<b>\$ 665,350</b>	<b>\$ 1,231,588</b>	<b>\$ 1,053,580</b>	<b>\$ 793,444</b>	<b>\$ 924,272</b>	<b>\$ 1,130,400</b>	<b>\$ 7,054,266</b>

**B. Fully Replaced Fleet (12 AS350B2's)**

Annual Maintenance Costs for Fleet	\$ 221,200	\$ 537,200	\$ 1,003,200	\$ 1,096,320	\$ 1,150,080	\$ 1,150,080	\$ 1,150,080	\$ 6,308,160
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<b>C. Additional Costs/(Savings) of Maintenance</b>	<b>\$ (1,034,432)</b>	<b>\$ (128,150)</b>	<b>\$ (228,388)</b>	<b>\$ 42,740</b>	<b>\$ 356,636</b>	<b>225,808</b>	<b>19,680</b>	<b>\$ (746,106)</b>
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**Projected Payment Schedule for Helicopter Financing**

Financing Structure: Two tax-exempt lease schedules to be funded by third party lessor into escrow; payments due semiannually in arrears. County to disburse payments as they become due.

Purchase costs financed: \$28,744,871; lease 1: \$14,212,307 and lease 2: \$14,532,564

Fiscal Year	Lease 1 (Lessor: Citicorp) Actual	Lease 2 Projected	Projected Annual Payment	Fiscal Year
2002-3	1,157,914		1,157,914	2002-3
2003-4	1,157,914	1,243,065	3,558,893	2003-4
2004-5	1,157,914	1,243,065	4,801,958	2004-5
2005-6	1,157,914	1,243,065	4,801,958	2005-6
2006-7	1,157,914	1,243,065	4,801,958	2006-7
2007-8	1,157,914	1,243,065	4,801,958	2007-8
2008-9	1,157,914	1,243,065	4,801,958	2008-9
2009-10	1,157,914	1,243,065	3,644,044	2009-10
2010-2011		1,243,065	1,243,065	2010-2011
Total Payment	16,210,796	17,402,910	33,613,706	
Principal Portion	14,212,307	14,532,564	28,744,871	
Interest Portion	1,998,489	2,870,346	4,868,835	

**Notes:**

Lease 1 was completed in November 2002 at a 3.643% APR.

Lease 2 assumes funding date in May 2003, at a 5.0% APR, with one payment in fiscal 2003-04

hurff cash flow.xls

14,532,564  
0.05  
14  
(\$1,243,065.02)